

**DEPARTMENT OF TAXATION  
2001 Fiscal Impact Statement**

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| <p><b>1. Patron</b> Byrne</p> <p><b>3. Committee</b> Senate Finance</p> <p><b>4. Title</b> Real Estate Tax: Tax Reduction for Citizens<br/>Sixty-five Years of Age or Older</p> | <p><b>2. Bill Number</b> <u>SB 939</u></p> <p><b>House of Origin:</b><br/><u>  X  </u> <b>Introduced</b><br/><u>     </u> <b>Substitute</b><br/><u>     </u> <b>Engrossed</b></p> <p><b>Second House:</b><br/><u>     </u> <b>In Committee</b><br/><u>     </u> <b>Substitute</b><br/><u>     </u> <b>Enrolled</b></p> |
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**5. Summary/Purpose:**

This bill would authorize localities to adopt a real estate tax reduction program for citizens sixty-five years of age or older. The reduction would, in effect, limit an elderly person's real estate tax liability for a taxable year to the tax levied on such real estate in the preceding taxable year plus the percentage increase in the Consumer Price Index for All Urban Consumers (CPI-U) multiplied by the prior year's tax.

Current law permits localities to adopt an ordinance providing for exemptions or deferrals of real estate taxes for the elderly and handicapped who meet certain income and net worth limitations.

The effective date of this bill is not specified.

**6. Fiscal Impact Estimates are:** Not Available.

**7. Budget amendment necessary:** No.

**8. Fiscal implications:**

There would be no revenue impact to the state. Localities that elect to adopt a real estate tax reduction program may experience a slower rate of growth in real property tax revenues than other localities.

**9. Specific agency or political subdivisions affected:**

All localities

**10. Technical amendment necessary:** No.

## 11. Other comments:

*Code of Virginia* § 58.1-3219 authorizes localities to adopt a deferral program for real estate taxes that exceed 105 percent of the tax imposed in the previous year. The deferred amount is subject to interest at a rate established pursuant to § 6621 of the Internal Revenue Code. This program has no income or net worth limitations. The accumulated amount of tax deferred and interest due thereon is payable to the locality in full within one year of the sale or transfer of the real estate.

There are three elements in the tax reduction program established by this bill that set it apart from the deferral program:

1. The age requirement: Participants must be of sixty-five years of age or older.
2. The formula: Rather than exceeding the preceding year's tax liability by 105 percent, the tax reduction under this bill would be determined by limiting the taxpayer's real estate tax liability for a taxable year to the tax imposed on the real estate in the preceding taxable year plus the percentage increase in the Consumer Price Index for All Urban Consumers (CPI-U) multiplied by the prior year's tax.
3. Income and net worth limitations: To be eligible to participate in this tax reduction program, the taxpayer must meet the income and net worth limitations applicable to elderly or handicapped taxpayers seeking an exemption or deferral from property taxes pursuant to *Code of Virginia* § 58.1-3210.

This bill also provides that the real estate tax liability for a taxable year shall not exceed the assessed value of the applicable real estate multiplied by the tax rate in effect in the locality for that taxable year.

HB 1987 would increase the income limits under current law for eligible taxpayers in certain localities to participate in real property tax exemptions and deferral programs for the elderly and the handicapped.

cc: Secretary of Finance

**Date:** 1/14/01/initials

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